



March 10, 2011

To: Parks and Seattle Center Committee
From: Christopher Williams, Acting Superintendent
Subject: Changes to the Golf Master Plan

Issue #1: *Changes to Golf Master Plan after the recent decision to not build the West Seattle Driving Range*

Decision: After several public meetings, and many design changes, the Superintendent recommended that we not move forward with the West Seattle Driving Range project. Problems with the project included:

- The original location, on the hillside west of fairway #9 has engineering challenges that would have produced an inferior range.
- The design team quickly concluded the only practical location was on the main course fairway #9. The golfing public objected strenuously to this proposal and the Parks Superintendent responded by stopping the project.

Impacts: The decision to abandon the West Seattle driving range project had a profound effect on the financial aspect of the Golf Master Plan. Generally speaking, \$864,000 was borrowed and approximately \$280,000 was spent to plan the West Seattle project, select a project team, hold public meetings, begin preliminary engineering, and develop several schematic proposals. The total project cost was planned for \$3.4 million. The driving range was conservatively projected to produce \$558,000 in revenue per year.

Moving Forward: Close analysis of the Master Plan pro forma without the \$558,000 annual revenue previously anticipated from the West Seattle Driving Range, and the debt to build it, produced a revised scenario. In the new plan, the driving range project at Jackson Golf Course and the clubhouse and paving projects at Jefferson Golf Course are moved up to 2011. Significant funding was added at Jefferson for parking to protect revenues. \$1.75 million dollars is reserved for improvements to the West Seattle course with the caveat that the improvements must produce about \$250,000 of added revenue per year. The total amount borrowed is reduced by \$817,000.

Descriptive changes to the master plan are detailed in Attachment A.

Issue #2: *Golf revenue contribution to the Park fund*

Golf currently contributes 5% of the gross revenues generated annually to the park fund. The amount of the contribution was 3.5% from 2006 through 2008. In 2009 the contribution was changed to 5%, and it has remained so since then. The percentage is determined biannually as part of the budget process. This process is authorized by Policy 4 of the Golf Financial Policies, which was adopted by Council in 2006. The Golf Master Plan pro forma projects golf revenue and bond debt service through the bond repayment schedule until 2035. It is assumed that golf will continue to pay 5% of gross revenue to the park fund throughout that time. Actual contributions to the park fund are listed below.

<u>Year</u>	<u>Revenue Amount</u>	<u>Park Fund Percentage</u>	<u>Park Fund Contribution</u>
2006	\$ 9,158,974.20	3.50%	\$ 320,564.10
2007	\$ 9,743,728.73	3.50%	\$ 341,030.51
2008	\$ 9,784,342.56	3.50%	\$ 342,451.99
2009	\$ 9,598,913.63	5%	\$ 479,945.68
2010	\$ 9,516,335.22	5%	\$ 475,816.76

Issue #3: *Change to the Golf Master Plan resulting in deferring building Jackson Clubhouse*

Background: In the second quarter of 2010, a fundamental flaw was discovered in the financial model, the pro forma, of the Golf Master Plan. The golf revenue stream is currently responsible for servicing the debt for the improvements to Interbay golf course. The improvements were purchased at auction in 2000 for \$5.65 million. The debt payments are approximately \$405,000 per year and will be retired in 2021. For reasons that are unclear today, the golf pro forma assumed the Interbay debt would be retired in 2014.

Impacts: This discovery *added* a total obligation of approximately \$2.8 million. This obligation coupled with the cost of a new clubhouse at either Jefferson or Jackson golf courses would not be financially feasible.

Moving forward: Parks management decided that the Jackson clubhouse should not be built at this time because the Jefferson clubhouse must be built with the driving range tee line incorporated into it. The Jackson site has the room for the tee line and clubhouse to be separate buildings.